

G. Partnerships

AFI Projects offer a blend of services, incentives, and opportunities for needy families to improve their lives in lasting ways. The mix of financial services, client case management, asset purchase support, financial training, and account and data management requires expertise seldom found in one organization. This intrinsic diversity has inspired AFI Projects to develop working relationships with other organizations that already provide services in the target communities – for example, with groups that are providing home ownership training or counseling or financial literacy classes. There are many possible approaches to structuring organizational responsibilities across partnering organizations. Gather together potential partners to help determine the right structure for your Project.

Exploring Partnerships

In the IDA world, partnership refers to an arrangement made between an organization sponsoring an AFI Project and another organization that offers a specific service to prospective account holders (such as microenterprise training and counseling) but has no responsibility or role in the operation of the AFI Project itself. These partnerships often are solidified by signed agreements (often called Memoranda of Understanding or MOUs). They sometimes include financial or in-kind compensation offered to the partner organization by the AFI Project sponsor. Such partnerships are ideal for organizations with the capacity to run most components of the IDA program but which lack staff with expertise in some key areas such as financial education or asset-specific training. When developing partnerships, consider whether the potential partners are trusted by the target community to ensure that your clients will be able to work with them effectively.

TIP: Possible partner organizations to include in your AFI Project

- Community Action Agencies
- Community Development Corporations
- Employers
- Financial institutions such as banks, credit unions, and community development financial institutions
- Faith-based organizations
- Housing authorities
- TANF agencies
- Other State and local government and Tribal government agencies
- United Way of America affiliates
- National Urban League affiliates
- Philanthropic foundations including community foundations
- Schools and community colleges
- Organizations that provide services to low-income Native American communities
- Workforce Investment Boards
- Small businesses
- Credit counseling agencies
- Marriage-strengthening coalitions
- Other nonprofits or for-profit entities
- Small Business Administration One-Stop Centers

The creation and ongoing management of these partnerships require time and attention from AFI Project staff. AFI Projects are encouraged to draw up a formal partnership agreement to delineate roles and responsibilities between partners, as well as guidelines for ending the partnership in the event it proves ineffective.

The Financial Institution: AFI's Most Important Partner

Financial institutions can provide nonfederal funding for AFI Projects as well as host Reserve Accounts, hold participant IDA savings accounts, and provide other services. Thus, they are fundamental partners for an AFI Project. In fact, in some cases, the organization serving as project administrator is also a financial institution. Types of partnerships with financial institutions vary widely among projects. Some institutions are intimately involved, offering lots of financial and in-kind support. Others simply offer the basic services and have no further involvement. AFI Projects are very appealing to a financial institution. When presented to the right organization, a rewarding partnership can take hold.

TIP: For those in the earliest stage of program design, begin looking for a financial institution partner right away. A signed financial institution partner agreement, or at least a letter of commitment from a financial institution, is essential to project startup. Either document would detail what the institution is offering to support your IDA project.

Finding a Financial Institution Partner

Successful AFI Projects have grown out of a host of arrangements with financial institution partners. Some programs develop partnerships with community development credit unions. Some work with major commercial banks. Other programs operate with multiple partnerships to cover a wide program area, while still others develop a strong relationship with one financial institution.

Most organizations begin their search for a financial institution partner by considering those institutions with which they already have relationships, such as the ones where the agency conducts its banking business. Others review which banks or credit unions already serve their target population. They then offer the asset-building services and the IDA as a way for the institution to do community work, enhance their appeal to an existing part of their market, and/or open up new markets with new clients. Banks with national or regional reach are increasingly partners for AFI Projects; they standardize products and services associated with the program, making participation more cost-efficient. Projects can also explore the Community Reinvestment Act (CRA) ratings of banks, which indicate their commitment to community investment. Some banks may offer better services and products to AFI clients.

For ideas on how to market your AFI Project to potential financial institution partners, see Appendix I.

Once you have found an ideal partnership candidate, made your presentation, secured their interest, and begun the negotiations, it is best to seal the deal by developing a partnership agreement. See Appendix J for information about financial institution partner agreements.

TIP: Who Does What?*

What a Financial Institution Can Do

- Set up interest-bearing custodial or trust savings accounts for IDA participants (hopefully, with no monthly fees and no minimum balance).
- Establish the Reserve Account to hold both the nonfederal cash contribution and Federal funds in the name of the sponsoring organization.
- Provide monthly (or quarterly) account statements to participants.
- Provide monthly (or quarterly) account activity information to the sponsoring organization, on paper and/or electronically.
- Offer other banking services to participants (checking accounts, mortgages, loans, other savings, or investment accounts). Some may provide fee-free banking but some won't, so look around for the best deal.
- Assist in financial education.
- Enhance visibility of program.
- Contribute nonfederal cash support for the AFI Project.

What a Program Must Do

- Direct participants to a designated financial institution or institutions.
- Send participants monthly or quarterly statements that reflect their savings activity and earned matching funds.
- Monitor participants' monthly account activity (deposits and withdrawals).
- Track monthly account activity (ideally with a management information system).
- Develop a withdrawal procedure for matching funds.
- Calculate and account for matching funds earned, based on participant savings (as well as the interest earned on the match).
- Provide individualized counseling to participants as needed.
- Facilitate financial education.

*This is adapted from: Tim Flacke, Brian Grossman, Colleen Dailey, and Stephanie Jennings. *The Individual Development Account Program Design Handbook: A Step-by-Step Guide to Designing an IDA Program (Fourth Edition)*. Corporation for Enterprise Development, 1999.

